

MINUTE ITEM

8. REQUEST FOR APPROVAL OF CRUDE OIL SALES CONTRACT, HUMBLE OIL & REFINING COMPANY, P.R.C. 1824.1, SUMMERLAND, SANTA BARBARA COUNTY - W.O. 3440.

After consideration of Calendar Item 5 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE CRUDE OIL SALES CONTRACT ENTERED INTO AND EFFECTIVE ON OCTOBER 17, 1959, FOR A MINIMUM PERIOD OF FIVE YEARS, BETWEEN THE HUMBLE OIL & REFINING COMPANY AND THE STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AS THE BASIS FOR THE SALE AND DELIVERY OF HUMBLE OIL & REFINING COMPANY'S 50 PER CENT OF THE OIL PRODUCTION FROM LEASE P.R.C. 1824.1, SUBJECT TO THE CONDITION THAT THE APPROVAL OF THE SALES CONTRACT SHALL NOT BE CONSTRUED TO MODIFY OR AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL OF THE TERMS AND CONDITIONS OF OIL AND GAS LEASE P.R.C. 1824.1 AND THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment

Calendar Item 5 (1 page)

CALENDAR ITEM

5.

REQUEST FOR APPROVAL OF CRUDE OIL SALES CONTRACT, HUMBLE OIL & REFINING COMPANY, P.R.C. 1824.1, SUMMERLAND, SANTA BARBARA COUNTY - W.O. 3440.

State Oil and Gas Lease P.R.C. 1824.1 was issued to Humble Oil & Refining Company and Standard Oil Company of California on January 10, 1957, pursuant to Division 6 of the Public Resources Code.

Section 15 of the lease provides in part, "In the event the State should elect to take royalty in money instead of in kind, the lessee shall not sell or otherwise dispose of the royalty share of the products produced hereunder, except in accordance with approved sales contract or other method first approved in writing by the State".

In accordance with this provision, the Humble Oil & Refining Company, co-lessee under Oil and Gas Lease P.R.C. 1824.1, has submitted for approval a copy of the crude oil sales contract between the Humble Oil & Refining Company and the Standard Oil Company of California, Western Operations, Inc., covering the delivery of fifty per cent of the oil produced from the lease at a gravity of not less than 34 degrees API at the current prices offered by the Standard Oil Company of California, Western Operations, Inc., for like gravity and quality oil in the Summerland offshore oil field, with the option that the buyer may purchase lower gravity oil than the minimum specified. In the absence of a quoted price for lower gravity and quality oil, the price paid shall be the price of the next highest gravity and quality for which the buyer does then currently offer a price.

The contract shall remain in effect for a period of five years after the effective date of October 17, 1959, subject to cancellation by either party upon one year's written notice after five years.

Other terms and conditions of the contract relating to the manner of delivery procedure for testing oil samples are in conformance with the lease terms and general practice in the industry.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE CRUDE OIL SALES CONTRACT ENTERED INTO AND EFFECTIVE ON OCTOBER 17, 1959, FOR A MINIMUM PERIOD OF FIVE YEARS, BETWEEN THE HUMBLE OIL & REFINING COMPANY AND THE STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AS THE BASIS FOR THE SALE AND DELIVERY OF HUMBLE OIL & REFINING COMPANY'S 50 PER CENT OF THE OIL PRODUCTION FROM LEASE P.R.C. 1824.1, SUBJECT TO THE CONDITION THAT THE APPROVAL OF THE SALES CONTRACT SHALL NOT BE CONSTRUED TO MODIFY OR AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL OF THE TERMS AND CONDITIONS OF OIL AND GAS LEASE P.R.C. 1824.1 AND THE RULES AND REGULATIONS OF THE COMMISSION.